



March 5, 2013

Testimony – Human Services Committee

Re: SB 1023 Revenue Retention

Members of the Human Services Committee; my name is Ron Fleming and I am President / CEO of Alcohol and Drug Recovery Centers (ADRC), a member of the Executive Committee of the Connecticut Association of Substance Abuse Agencies, and a Member of the Connecticut Community Providers Association Board of Directors. I wish to advocate for the reinstatement of the DMHAS grants to substance abuse agencies – which are scheduled for substantial reductions in the budget proposed by Governor Malloy and OPM.

ADRC has been serving the citizens of central Connecticut since 1973; providing a comprehensive array of services to persons with substance abuse disorders – many of whom also experience co-existing problems with their mental or physical health. Our agency employs approximately 200 persons; 140 full time employees and 50-60 part-time employees. Our staff provides services to 3,000 persons in more than 5,000 episodes of care each year.

The proposed legislation, SB 1023 Revenue Retention, is important to all non-profit human service agencies such as ADRC. In an environment of unstable and often insufficient funding, providing nonprofit agencies the opportunity to retain unexpended state grant funds will be a welcome form of indirect support to our mission of caring for needy and vulnerable citizens.

SB – 1023 – Revenue Retention

Each year nonprofit agencies throughout the state must reconcile their accounts with their grantor state agency. In circumstances where the agency was able to meet all contracted requirements and yet do so without expending all allocated funds, the agency is faced with the likely prospect of returning these unexpended funds.

This method has several, presumably unintended consequences. First, this method encourages “spending to the line” [spending all allocated funds] rather than encouraging any efforts to towards efficiencies or economies of practice. An efficient or innovative agency that succeeds in performing to the full expectations of their contract experiences no net benefit, as compared to a less efficient agency that spends all allocated funds. Peter Drucker, the business analyst wrote of this problem many years ago, as one of the shortcomings of the way many state bureaucracies fund services.

Secondly, if agencies were allowed to retain unexpended revenue there would be less pressure on agencies to manage the costs of operation which are not, directly, covered by grant funding. For example, an efficiently run agency could, over a period of time, accumulate funds in order to pay for facility improvements [e.g., a generator] or large maintenance items [e.g., a roof repair]. Under current law, agencies must either hope for funds from benefactors [donors] or from state bonding funds [which have been infrequently available].

In summary – this bill would encourage innovative and efficient programs and allow agencies to plan for and manage agency infrastructure maintenance and repair [items not covered by grants], while reducing some pressure on bond funding.

Thank you for this opportunity to be heard. I am happy to answer any questions you might have.

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